

DISPATCH		CLASSIFICATION SECRET	PROCESSING ACTION
TO	Chief []	XX	MARKED FOR INDEXING
INFO.	Chief, EE; Chief, WE; Chief of Station, Germany; Chief, Bonn Operations Base		NO INDEXING REQUIRED
FROM	Chief, Munich Liaison Base		ONLY QUALIFIED DESK CAN JUDGE INDEXING
SUBJECT	CATIDE/DIZTAG/UJRANDOM CATIDE "PEPPERMILL" CASE	MICROFILMED FEB 25 1965	MICROFILM
ACTION REQUIRED - REFERENCES		DOC. MICRO. SER.	
SEE PARAGRAPH 10			
REFERENCES: A. EGMA-65781, 31 December 1964 32W-5-38/1 B. 112702, 14 December 1964 21-C-20/3 C. 112606, 6 November 1964 20-11297			
<p>1. On 28 January 1965 PETERSEN returned the audio device we had loaned him and gave us the following story: The meeting took place as planned and CATIDE used two audio devices, hoping thereby to achieve a stereo effect and thus increase the chances of getting an understandable recording. The receiving stations were outside in cars rather than in a boat as was originally planned. PETERSEN said that from a technical standpoint the operation worked fine but that there was so much incidental noise in the place they were not able to get too much out of the conversation. In addition to the audio devices CATIDE had two surveillants, two young men with "existentialist (but real) beards" sitting at the next table and also had the cooperation of the waiter who served the two principals. According to PETERSEN the Czechs mounted a counter surveillance in positions that made it possible to watch the principals as well as the entrance.</p> <p>2. PETERSEN stated that CATIDE had indications of deceit on the part of the "agent" but no proof. As support for this statement he cited the following facts:</p> <p>a) The "agent" had always claimed that the meetings took so long because the "resident" spoke very little German and very little English, thus making their conversations very difficult. Through the audio devices and the surveillance CATIDE established the fact that the "resident" spoke fluent German.</p> <p>b) There was a long conversation between the "agent" and the "resident" on the basis of a document of many pages (according to the waiter the document seemed to carry a series of names). The "resident" made marginal notes on the document on the basis of answers supplied by the "agent". The "agent's" contact report made no mention of the document.</p>			
<p style="text-align: center;">CS COPY GROUP I - EXCLUDED FROM AUTOMATIC DOWNGRADING AND DECLASSIFICATION</p> <p style="text-align: right;">32W-5-38/1 - CONTINUED -</p>			
CROSS REFERENCE TO	DISPATCH SYMBOL AND NUMBER EGMA - 66043	DATE 11 FEB 1965	
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CONTINUATION OF
DISPATCH

CLASSIFICATION
S E C R E T

DISPATCH SYMBOL AND NO.
ECMA - 66043

3. PETERSEN stated they planned to try again to monitor a meeting between the "agent" and the "resident"; the meeting is to take place in the same city but in a different restaurant. PETERSEN attempted to disguise the location by indicating the meeting took place in Hamburg. He also said that the "agent" had claimed he was meeting an "illegal". PETERSEN is obviously not a very successful dissembler because he had earlier said that the action would take place in a neutral country and that a "legal resident" had suddenly turned up in the case.

4. On 8 February 1965 @DOELLNER permitted [] of MLB to listen to a portion of the tape. The noise level was extremely high but the conversation appeared to be in German. DOELLNER indicated that the audio device was unfortunately some distance from the table. He also said, however, that a portion of the conversation was carried on in the Czech language. He quite clearly was not aware of what PETERSEN had told us. DOELLNER said they would try again to monitor a meeting in March and asked to use our device again.

5. In trying to piece together a coherent picture of this CATIDE case we find that our information comes from the following sources:

a) PETERSEN's statements to us at various times since he first asked for KUBARK assistance in the case as well as a few chance remarks made by @DOELLNER and other of PETERSEN's subordinates. (Reference A and paragraph 1-4 above);

b) []'s statements to [] based on []'s own observations (Reference B);

c) []'s statements to [] based on what the inebriated and talkative CATIDER told [] in October or November 1964 (Reference C).

As we see it PETERSEN has deliberately attempted to disguise the true nature of the case but must perforce have told us certain "facts" that are substantially correct. The same can be said concerning the talkative CATIDER; we have no reason to believe everything he said corresponds to the true facts but some of what he said must be essentially correct. We are also taking into account the fact that [] was passing hearsay information to [] when he repeated what the talkative CATIDER said; in such cases there is always a good chance of a garble resulting.

6. We are willing to accept the following items of information as essentially correct:

a) A meeting did take place in Copenhagen between two principals, one of whom was Joseph LENSKY [], who presumably is the "legal resident" who recently turned up in a heretofore unproductive CATIDE "double agent" case. We know also that the meeting was surveilled by the [] who used at least one audio device and that the Czechs mounted a counter surveillance of the meeting.

b) The language of the meeting was German and Czech.

c) The decision of CATIDE headquarters to monitor this "double agent" case was based on more than a suspicion of the D/A's bona fides and is in fact an investigation into a CATIDE staffer suspected of working with the CIS. We cannot believe that the talkative CATIDER, no matter how drunk, would make up the story of the CATIDE staffer being involved; after all such a story reflects rather unfavorably on his own service. Furthermore, we have two significant statements from PETERSEN:

1) He said very early that UTILITY was personally interested in the case, which would make it seem more than a routine D/A matter;

FORM 53c
5-60
(40)

USE PREVIOUS EDITION.

CLASSIFICATION
S E C R E T

☒ CONTINUED

PAGE NO.
2

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2) He said later that the entire monitoring of the meeting had taken place without the knowledge of the "agent's" CATIDE case officer or the latter's station chief (i.e., only CATIDE headquarters personnel knew about the investigation). This statement may contain elements deliberately calculated to mislead us but it nevertheless indicates the seriousness with which CATIDE views this case.

d) Since CATIDE will attempt to monitor another meeting, we can assume that CATIDE has not yet reached a definitive position in its investigation.

7. In addition to what we can be reasonably sure of in this case, certain discrepancies and peculiarities in the stories that have been developed from the various sources are of considerable interest:

a) Both PETERSEN and the talkative case officer mentioned that a double agent was involved in the case but the latter claimed him to be a Czech citizen. If this were the case why couldn't he conduct his business with the "resident" entirely in the Czech language instead of mostly in German?

b) Why was it necessary for a double agent to explain to CATIDE why his meetings with the "Czech resident" took so long (he had claimed language difficulty). Since a D/A is ~~presumably~~ presumably under at least apparent control of the intelligence officer meeting him there should be no particular reason for either service to question him on this point. PETERSEN, however, makes this a key point in his explanation of how the surveillance of the meeting had indicated deception on the part of the "agent".

c) If CATIDE suspected that one of their own staffers was a recruited CIS agent, how did they expect to prove anything by monitoring a meeting between the "double agent" and a Czech "legal resident"; why not monitor a meeting between their own staffer and the "agent"? In this connection note the peculiar statement of the talkative CATIDER, who (when presumably referring to the meeting to be monitored) said it was the 34th such meeting in a number of years between the double agent and the CATIDE staffer who is now under investigation. Are we to assume that there were two meetings in Copenhagen to be monitored? It hardly seems likely.

d) Summing up we have

1) According to PETERSEN, a double agent of longstanding attending a meeting in Copenhagen with a Czech intelligence officer who has newly appeared on the scene and who is a legal (i.e., diplomatic) resident; a surveillance has been laid on to check the "agent's" bona fides. Furthermore since the regular CATIDE staffer who supposedly handles the "double agent" was not informed of the investigation, he presumably was not even in Copenhagen (provided our theory of only one meeting holds up).

2) On the other hand we have, according to the talkative CATIDER, a meeting taking place between a CATIDE staffer and a "double agent".

3) What we know to be the case was a meeting between an identified Czech intelligence officer under diplomatic cover and an unknown individual who spoke German and Czech.

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CONTINUATION OF
DISPATCH

CLASSIFICATION
SECRET

DISPATCH SYMBOL AND NO.
EGMA - 66043

8. In spite of the serious gaps in our knowledge of this case (and we hope that [] can help us to fill some of them) we have developed a tentative hypothesis that appears to fit not only with what we, for the moment, presume to be the truth but also with the various discrepancies and peculiarities in the information provided by the different sources involved. On the basis of the information we have, we are inclined to presume that the second principal at the meeting (that is, the man who met with Joseph LENSKY) was actually a CATIDE staff officer who is currently under investigation as a suspected recruited CIS agent. It is our hypothesis that the staffer may well have handled a D/A for a number of years (or rather have been handled by the D/A as CATIDE now suspects to be the case) but that he (the staffer) recently claimed to have reached the goal of the ideal D/A case, i.e., to have recruited the opposing service's case officer. From the CATIDE point of view then, the "agent" was not a D/A but a penetration (i.e., LENSKY). To quote PETERSEN, the sudden "luck" of the CATIDE case officer after so many years of running a relatively unproductive operation "caused CATIDE headquarters to analyze the case". This analysis indicated to CATIDE that there was something "rotten in the State of Denmark". A file check further indicated that years ago KUBARK had warned CATIDE about the particular CATIDE staffer in question; therefore the current investigation was launched. The story of this being a double agent case was concocted by CATIDE to disguise the true nature of the case which CATIDE would certainly not want known. The reason why this deception (vis-a-vis CATIDE's liaison partners) did not succeed was the talkativeness of one of the CATIDE headquarters officers who visited Copenhagen and had too much to drink.

9. FYI: On 1 February 1965 PETERSEN was transferred from the position of Chief, CATIDE/CE to become Deputy and Chief of Staff to GREICHLIN, Chief of Tactical Operations; he has been replaced by OKASTELL. It appears, however, that we may be dealing in the future with DOELLNER on this case; he is the senior CATIDE headquarters operations officer in charge of the investigation and it appears he may be willing to tell us more than PETERSEN did. We will keep you advised of any future discussions of the investigation we may have with DOELLNER.

10. Any assistance [] can provide to aid us in getting at the true facts in the case will be greatly appreciated. In addition to the questions posed in Reference A we would appreciate any information you may be able to elicit on the meeting that is apparently scheduled for March. We would also be interested in knowing whether two audio devices were used as stated by PETERSEN. In this connection paragraph 4 of Reference B stated that "The CATIDE officers offered the use of some KUBARK audio equipment". Did they actually say the device came from KUBARK or was the word KUBARK used merely because [] already aware that KUBARK had loaned the equipment to CATIDE for the operation?

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32W-5-35/1

FORM 53c
5-60
(40)

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SECRET

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PAGE NO.
4

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